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Summary record of the 30th meeting
Held at Headquarters, New York, on Friday, 6 March 2015, at 10 a.m.

Chair: Ms. Rambukwella (Vice-Chair) ..... (Sri Lanka)
Chair of the Advisory Committee on Administrative and Budgetary Questions: Mr. Ruiz Massieu

Contents

Agenda item 131: Review of the efficiency of the administrative and financial functioning of the United Nations (*continued*)

Progress towards an accountability system in the United Nations Secretariat

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15-03505 (E)

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In the absence of Mr. Ružička (Slovakia), Ms. Rambukwella (Sri Lanka), Vice-Chair, took the Chair.

The meeting was called to order at 10.05 a.m.

Agenda item 131: Review of the efficiency of the administrative and financial functioning of the United Nations (*continued*)

Progress towards an accountability system in the United Nations Secretariat (A/69/676 and A/69/802)

1. **Mr. Takasu** (Under-Secretary-General for Management), introducing the Secretary-General's fourth progress report on the accountability system in the United Nations Secretariat (A/69/676), said that the report described the measures taken in response to General Assembly resolution 68/264 and the progress made in the Secretariat-wide risk assessment, the implementation of results-based management, the strengthening of personal accountability and accountability in the field missions, and the link between the Umoja enterprise resource planning system, the International Public Sector Accounting Standards (IPSAS) and accountability.

2. Enterprise risk management was a modern managerial tool used to identify strategic responses to corporate risks. The current risks to the United Nations were very different from those of the previous generation, and the risk management strategy must change accordingly. After much preparatory work, the first Secretariat-wide risk assessment had been conducted to identify, evaluate and prioritize the greatest strategic risks to the Organization. The assessment had resulted in a risk register which included risk definitions, a full analysis of key risk drivers, a description of the controls already established by management and an outline of potential risk response strategies. Of the 23 risks identified, 9 had been categorized as "very high". Subsequently, at a joint meeting of the Policy Committee and the Management Committee in September 2015, senior officials had collectively identified six "critical" risk areas that required the immediate attention of senior management. Those areas, formally approved by the Secretary-General, were organizational structure and synchronization; organizational transformation; strategic planning and budget allocation; safety and security; extrabudgetary funding and management; and human resources strategy, management and accountability.

3. A governance structure which involved the entire Secretariat had been defined, with four main elements: the Management Committee, which would serve as the risk management committee for the Secretariat; the corporate risk owners, officials at the Under-Secretary-General and Assistant Secretary-General levels responsible for ensuring that the risks in each area were identified and risk mitigation strategies implemented; the risk treatment working groups; and the enterprise risk management focal point in the Office of the Under-Secretary-General for Management, who would provide technical and methodological support to the working groups. The corporate risk owners, assisted by the working groups, would report periodically to the Management Committee on the progress made.

4. The Secretariat was currently focusing its attention on the critical risk areas. As it faced new challenges and put in place mitigating strategies, however, new risks would emerge, some of the pre-identified risks would move down the priority list and others would move up, in a continuous process. Some of the most important benefits of implementing enterprise risk management would be the facilitation of ongoing open dialogue on strategic matters at the core of the Organization's activities, the promotion of sound governance and enhanced accountability, and the embedding of a risk-aware culture at all levels of the Secretariat.

5. The Secretariat was implementing results-based management through a phased approach in accordance with General Assembly resolution 68/264. The Office of Programme Planning, Budget and Accounts had provided tailored training for programme managers on the preparation of the 2016-2017 logical frameworks. The training had resulted in a number of modifications, including a greater focus on end-user benefits and more precise and measurable indicators. The Office of the Under-Secretary-General for Management had delivered nine training sessions on programme monitoring and reporting in New York, Vienna and Geneva, and was implementing a pilot for strengthening self-evaluation capacity within the Department of Management. The pilot was designed for existing staff whose functions were closely related to monitoring and evaluation or who had expressed an interest in learning how to conduct self-evaluations, an

area in which capacity had weakened over the preceding two decades. The pilot would serve as an example to other Secretariat entities with limited resources and no dedicated evaluation capacity.

6. A midyear review of the senior managers' compacts, designed to identify areas of weakness requiring attention before the end of the year, had been conducted for the first time in 2014. In response to the call in General Assembly resolution 68/264 for the Secretary-General to improve compliance with documentation slot dates, an indicator related to such compliance had been included in the 2015 compacts.

7. Accountability in the field missions could be challenging because of the unpredictable, evolving situations there. Since summer 2014, the Department of Peacekeeping Operations and the Department of Field Support had been implementing an accountability framework and scorecard mechanism which comprised indicators designed to measure such missions' performance in the implementation of conduct- and discipline-related functions, as well as new and more detailed reporting on those indicators. Risk management focal points had been established in the missions. Training activities to equip those focal points with the requisite skills to carry out risk assessments in missions were planned. A pilot scheme for the implementation of enterprise risk management in the United Nations Organization Stabilization Mission in the Democratic Republic of the Congo (MONUSCO) was planned, and would be shared with and replicated in other missions.

8. The Ethics Office had completed an independent review of the policy on protection against retaliation. The changes which it had recommended were being reviewed by the Executive Office of the Secretary-General in consultation with relevant departments and offices. The Office had also completed its internal review of the financial disclosure programme and related policies.

9. The implementation of Umoja had led to a comprehensive revision of authorities, roles and responsibilities in the field missions and service centres, and the resolution of cross-functional issues and conflicts, such as the delegation of authority for procurement and logistics.

10. The introduction of IPSAS, which were based on accrual accounting, had resulted in the availability of more detailed and comprehensive information about the Organization's financial position, financial performance and cash flows, which had significantly enhanced transparency, a central element underpinning accountability.

11. **Mr. Ruiz Massieu** (Chair of the Advisory Committee on Administrative and Budgetary Questions), introducing the related report of the Advisory Committee (A/69/802), said that the Advisory Committee welcomed the progress made thus far in developing the enterprise risk management system. It expected that key risks to the achievement of the organizational goals would be proactively managed and mitigated in a manner which supported the successful and timely delivery of mandates and the implementation of major initiatives on time and within budget. In results-based management, it welcomed the efforts to deliver training on the formulation of logical frameworks and programme monitoring and reporting.

12. The Advisory Committee noted the steps taken to develop the personal accountability system and looked forward to receiving information on the implementation of the revised performance management policy, subject to that policy's endorsement by the General Assembly. The Secretary-General's report, however, did not reflect the ways in which staff were held accountable in cases where lack of timely action, insufficient monitoring or delays resulted in waste, inefficient use of resources or financial loss to the Organization. The Advisory Committee believed that there was a need to address that gap in the United Nations accountability system. It recommended that the General Assembly should request the Secretary-General to provide in his next report proposals on the criteria to be used for evaluating performance and strengthening the personal accountability system, including mechanisms for enforcing such accountability.

13. The General Assembly had stipulated in its resolution 64/259 that the definition of accountability should include the responsible stewardship of funds and resources. The Advisory Committee noted the Secretary-General's statement in the fourth progress report that in order to assess individual and institutional performance simultaneously, as well as to strengthen alignment between the two at the highest level of the Organization, the performance of senior managers was reviewed against the targets in their annual compacts at the same time as the performance

of the Organization was reviewed against the indicators in the programme budget.

14. The Advisory Committee considered that greater emphasis should be placed on assessing the effective and efficient use of resources, including more accurate planning and estimation of budgetary requirements and rigorous financial management. It recommended that the General Assembly should request the Secretary-General to consider introducing additional objectives and indicators in the senior managers' compacts with a view to assessing their performance and holding them to account for the responsible stewardship of financial and human resources.

15. **Mr. Davidson** (South Africa), speaking on behalf of the Group of 77 and China, said that the Group supported the introduction of an effective accountability system across the Secretariat in order to embed a culture of greater accountability in the working habits of staff and improve financial and human resources management. The General Assembly had defined accountability in its resolution 64/259 as, inter alia, achieving objectives and high-quality results in a timely and cost-effective manner; truthful, objective, accurate and timely reporting on performance results; and responsible stewardship of funds and resources.

16. A lack of adequate information for decision-making hindered the enhancement of accountability and transparency and the improvement of the functioning of the Organization. Nevertheless, the Group was pleased to note the progress in implementation of the enterprise risk management system, results-based management, personal accountability and accountability in field missions. It welcomed the establishment of a risk register; the identification of critical risk areas; the formalization of an enterprise risk management governance structure; the designation of a corporate risk owner for each critical risk area; and the steps taken to address the 23 risks identified. It concurred with the Advisory Committee that enterprise risk management should not become simply a paper exercise but should contribute in a concrete manner to the strengthening of organizational accountability.

17. The Group would seek further information regarding the Organization's response to risk 5, the possibility that the inability to obtain extrabudgetary funding could affect the ability of certain departments to perform their mandates.

18. Staff training was essential to effective programme monitoring and reporting with a view to strengthening personal and institutional accountability.

19. The Group agreed with the Advisory Committee that the implementation of the recommendations of oversight bodies was an essential part of the accountability system, and urged the Secretary-General to intensify his efforts in that area.

20. The Group was disappointed by the continued weaknesses of senior managers in complying with the recruitment timeline, and called on the Secretary-General to speed up recruitment while bearing in mind the underrepresentation of many developing countries.

21. The Group would seek further information regarding the results of the pilot project for strengthening self-evaluation capacity in the Department of Management and clarification of the reasons for the removal from the senior managers' compacts in 2013 of the performance indicator related to the timely submission of reports for processing to the Department for General Assembly and Conference Management.

22. With regard to personal accountability, the link between performance appraisals and rewards or sanctions for all United Nations staff should be strengthened and the policy of zero tolerance of sexual exploitation or abuse should be implemented.

23. In informal consultations, the Group would seek further information regarding the pilot implementation of enterprise risk management in MONUSCO and the steps taken to improve accountability in the field missions and in procurement and to ensure compliance with the financial disclosure programme.

24. The Group remained of the view that the General Assembly should continue to receive annual progress reports on the implementation of the accountability framework, which was a continuous and ongoing exercise.

25. **Ms. Power** (Observer for the European Union), speaking also on behalf of the candidate countries Albania, Montenegro, Serbia, the former Yugoslav Republic of Macedonia and Turkey; the stabilization and association process country Bosnia and Herzegovina; and, in addition, Armenia, said that the

European Union welcomed the progress in the implementation of a Secretariat-wide enterprise risk management framework, a long-standing request of the Committee and other oversight bodies. Such a framework was essential to enhancing accountability, governance and oversight throughout the United Nations. She welcomed the steps taken by the Management Committee to clearly define ownership for each of the critical risk areas among senior managers, and agreed with the Advisory Committee that continued commitment at all levels was required to embed a culture of accountability in the working habits of the Secretariat. Although more should be done to hold senior managers accountable for the delivery not only of outputs but also of results, and to promote a culture of accountability, the implementation was moving in the right direction.

26. The European Union looked forward to receiving, in informal consultations, updates on the strengthening of personal accountability and accountability in procurement and the field missions. She welcomed the reference in the Secretary-General's report to the late submission of documentation, which had plagued the Committee, and expected direct oversight by the Management Committee to address the systemic challenges in that area. She also welcomed the recommendation of the Advisory Committee that senior managers should be held to account for the responsible stewardship of financial and human resources. The effective use of resources, which had a direct impact on the execution of mandates, should be central to any system of accountability. The European Union was ready to discuss the future frequency and content of the Secretary-General's progress report on the accountability system.

27. **Mr. Dettling** (Switzerland), speaking also on behalf of Liechtenstein, said that at a time when the United Nations was involved in several decisive reform projects for which substantial resources had been committed, it could not afford to operate without a responsible management system subject to reliable internal controls. The implementation of an accountability framework was essential to a modern and efficient United Nations.

28. The two delegations welcomed the progress made in risk management, particularly the conduct of the first Secretariat-wide institutional risk assessment, which the Secretary-General should develop and apply throughout the Organization. They wished to know what steps the Secretary-General had taken and intended to take to mitigate risks in the six critical areas.

29. The Secretary-General should intensify his efforts in results-based management, where progress had remained modest even though Member States had first adopted a resolution on results-based budgeting some 15 years earlier. The Secretariat had not followed up on all of the provisions of General Assembly resolution 68/264, including the requests for the Secretary-General to propose specific improvements to the existing programme performance report and to identify appropriate methods and tools to portray the efficiency with which the Secretariat undertook its work. Those failures were of particular concern because resolution 68/264 related specifically to accountability. The delegations for which he spoke would follow up on the matter in informal consultations.

30. Progress reports on the accountability system should be addressed biennially rather than annually. The Committee's workload had increased greatly in recent years and it needed to find ways of managing its work more effectively. Since the enhancement of accountability was a continuous process, a two-year interval between reports would make progress clearer. Reports on particular matters, or even on certain agenda items, should be addressed every two or three years, as appropriate.

31. **Mr. Onuma** (Japan) said that his delegation attached great importance to the strengthening of accountability in the Secretariat, which should administer itself in accordance with the Charter of the United Nations, the resolutions of the General Assembly and other legislative bodies, and the relevant rules and regulations. The Organization should embed a culture of accountability in the working habits of the Secretariat so that staff were held accountable for the quality and timely delivery of their work and managers were held accountable for effectively managing their staff.

32. With regard to enterprise risk management, Japan welcomed the conduct of the risk assessment exercise, the establishment of the risk register, the identification of the 23 risks to the Organization and the designation of a corporate risk owner for each of the 6 critical risk areas, which should be managed through mitigation strategies. The Secretary-General should embed

enterprise risk management throughout the United Nations to address new challenges.

33. His delegation noted the progress in training courses, self-evaluation, and the joint assessment of institutional performance and the performance of individual senior managers. All necessary action should be taken to implement results-based management in the bienniums 2014-2015 and 2016-2017.

34. Japan supported the Secretary-General's efforts to ensure that the senior managers' compacts were a meaningful and powerful instrument of accountability, and welcomed the inclusion in 2014 of an indicator related to the completion of the end-of-cycle performance appraisal. The compacts should also include a standard managerial indicator related to the timely issuance of official documentation, pursuant to General Assembly Resolution 69/250. Such an indicator was one of several measures needed to ameliorate the long-standing problem of the late issuance of documents, which had been particularly severe at the main part of the current session. He requested further details of the Secretariat's new policy on accountability for conduct and discipline in field missions. His delegation supported the views expressed by the Advisory Committee, which it would discuss further in informal consultations.

35. **Ms. Norman Chalet** (United States of America) said that the Secretary-General's report and the related report of the Advisory Committee constituted an important update on the implementation of enterprise risk management and results-based management; personal accountability; accountability in field missions; and the link between Umoja and IPSAS and accountability, procurement and ethics. Enhanced accountability was essential to improving the work of the United Nations. Every dollar wasted through inefficiency, mismanagement or corruption was a dollar not spent on achieving the Organization's essential tasks.

36. Her delegation welcomed the progress made in enterprise risk management, particularly the formal approval of the preliminary risk register, which summarized the top strategic risk areas for the Organization. It looked forward to learning more about the ways in which the United Nations was managing the register through the risk treatment working groups. Although embedding enterprise risk management throughout the United Nations was a continuous process, it should be conducted in a timely fashion.

37. With regard to results-based management, her delegation was encouraged by the tailored training for staff on budget preparation and programme monitoring and reporting. The Secretariat should monitor the impact of the training and inform Member States of the outcome of the pilot for strengthening self-evaluation capacity within the Department of Management. The United States shared the concern of the Advisory Committee regarding the need for a culture of accountability to be embedded in the working habits of the Secretariat. Without such a culture, the potential benefits of enterprise risk management to the performance of the United Nations would not materialize. The implementation of results-based management should be accelerated and senior managers' performance should be evaluated against the targets in their annual compacts. She requested further information regarding the managerial performance issues highlighted in the report of the Advisory Committee, since such issues would jeopardize the efficient use of the resources under the stewardship of the managers concerned.

38. With regard to accountability for conduct, discipline, and sexual exploitation and abuse in the field missions, her delegation looked forward to an update on the adoption by the senior management team of the new policy designed to ensure the implementation of the United Nations strategy to address misconduct in such missions through prevention, enforcement and remedial actions. The pilot implementation of enterprise risk management at MONUSCO was a welcome development. The lessons learned should be shared with other missions to help them conduct their own risk assessments. Her delegation welcomed the training to be provided to risk management focal points to ensure that missions had the skills necessary to conduct such assessments.

39. **Mr. Takasu** (Under-Secretary-General for Management) said that the Management Committee was responsible for reviewing the recommendations of the Board of Auditors, the Office of Internal Oversight Services and the Joint Inspection Unit, the three United Nations oversight bodies. Every quarter, the Management Committee considered the status of the implementation of the oversight bodies' recommendations, in particular when such implementation had taken more than 12 months. Many

such overdue recommendations were related to hardship duty stations.

40. Progress in the implementation of enterprise risk management in the Secretariat had been rapid. Senior officials had been entrusted with leadership in the six critical risk areas, supported by the risk treatment working groups, which would finalize their risk treatment and response plans by April 2015 for review by the Management Committee in May 2015.

41. With regard to managerial responsibility and financial management, the Secretariat accorded equal importance to collective and personal accountability, in line with the deliberations and instructions of Member States.

42. The Secretary-General's request at the sixty-eighth session that the progress report on the accountability system should be issued biennially had been rejected by the Member States. As the Advisory Committee pointed out in its report, the progress report on the accountability system was closely linked to human resources questions such as performance management, which were considered annually.

43. **Mr. Ruiz Massieu** (Chair of the Advisory Committee on Administrative and Budgetary Questions) said that the senior managers' compacts did not contain sufficient objectives and indicators for assessing the efficient use of resources. The general measures proposed by the Secretary-General did not address the specific managerial performance issues mentioned in the report of the Advisory Committee (A/69/802). It was for that reason that the Advisory Committee recommended that the General Assembly should request the Secretary-General to consider introducing additional objectives and indicators in the compacts with a view to ensuring accountability for the responsible stewardship of financial and human resources.

The meeting rose at 10.50 a.m.

United Nations A/C.5/69/SR.31

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Summary record of the 31st meeting
Held at Headquarters, New York, on Monday, 9 March 2015, at 10 a.m.

Chair: Ms. Coto-Ramírez (Vice-Chair) ..... (Costa Rica)
Vice-Chair of the Advisory Committee on Administrative and Budgetary Questions: Mr. Sene

Contents

Agenda item 131: Review of the efficiency of the administrative and financial functioning of the United Nations (*continued*)

United Nations procurement activities

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15-03594 (E)

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In the absence of Mr. Ružička (Slovakia), Ms. Coto-Ramírez (Costa Rica), Vice-Chair, took the Chair.

The meeting was called to order at 10.05 a.m.

Agenda item 131: Review of the efficiency of the administrative and financial functioning of the United Nations (*continued*)

United Nations procurement activities (A/69/73, A/69/73/Add.1, A/69/710 and A/69/809)

1. **Mr. Cutts** (Assistant Secretary-General for Central Support Services), introducing the report of the Secretary-General on United Nations procurement activities (A/69/710), recalled that the previous report of the Secretary-General on procurement activities (A/67/683, A/67/683/Corr.1 and A/67/683/Corr.2) had focused on the deployment of Umoja, the increased demand in the Secretariat in terms of consulting and technology requirements, the change in the Secretariat's service delivery model and the strategic management of procurement at Headquarters, the Regional Procurement Office pilot project in Entebbe, the training and professionalization of staff, the development of key performance indicators, and the increase in the participation of vendors from developing countries and countries with economies in transition. Two addenda provided an overview of the pilot project on the independent procurement challenge system (A/67/683/Add.1), extended until 30 June 2015; and presented findings and recommendations issued following an evaluation of audit reports relating to procurement conducted by the Office of Internal Oversight Services (A/67/683/Add.2).

2. As indicated in the latest report, the value of procurement had increased from close to $3.1 billion in 2012 to over $3.2 billion in 2013, and an estimated value of $3.4 billion in 2014. The Umoja supply chain module was expected to rationalize acquisition processes and benefit the Organization through efficiency gains and enhanced visibility. The role of the Communications and Information Technology Section of the Procurement Division was crucial in implementing that and other complex information and communications technology programmes of global strategic importance.

3. The Procurement Division and the Department of Field Support, in consultation with the International Civil Aviation Organization, were undertaking the transition in solicitation methodology from invitation to bid to request for proposal for long-term air charter requirements. That transition would ensure greater operational flexibility and enhanced international competition and performance management with, as a result, better value for the Organization.

4. The efforts undertaken by the Procurement Division in cooperation with the Department of Field Support in several critical areas of major expense, such as the provision of food rations and fuel to field missions, had improved service delivery. Major changes in food ration specifications and standards had resulted in significant savings for the Organization and in the emergence of new contractors, the majority of which were from developing countries.

5. The independent procurement challenge programme had been established as a pilot project to enhance integrity and fairness through transparency in procurement. Both vendors and the Organization had benefited from the feedback provided as a result. In his report, the Secretary-General requested the establishment of the programme on a continuous basis and its phased expansion to all United Nations Secretariat entities.

6. The Secretariat was fully committed to continuing its efforts to improve procurement opportunities for vendors from developing countries and countries with economies in transition. In addition to the improvements outlined in the previous report on procurement activities, the Secretariat had led the vendor registration reform project for the High-level Committee on Management Procurement Network, completed in November 2013, and had significantly simplified the registration process with a view to accommodating vendors from developing countries and economies in transition and allowing them greater participation in procurement tenders. Procurement volume from vendors from developing countries and countries with economies in transition had stood at 55 per cent in 2013.

7. Lastly, the Secretariat wished to pursue the implementation of sustainable procurement through a pilot project outlined in the report. While key elements of sustainability, including social, environmental and economic requirements, already existed in Secretariat procurement, more remained to be done.

8. **Mr. Sene** (Vice-Chair of the Advisory Committee on Administrative and Budgetary Questions),

introducing the related report of the Advisory Committee (A/69/809), said that the Advisory Committee noted the opportunity presented by Umoja to integrate interrelated business processes and eliminate duplication, and looked forward to receiving information in future reports on the impact of Umoja on procurement. Regarding information and communications technology procurement, particularly in peacekeeping, more needed to be done to address the weaknesses highlighted by the Board of Auditors.

9. The Advisory Committee acknowledged the progress made with the transition in solicitation methodology for the procurement of long-term air charter services from invitation to bid to request for proposal. It welcomed the preliminary outcome of the pilot request for proposal issued in 2014 for the United Nations Organization Stabilization Mission in the Democratic Republic of the Congo (MONUSCO), and noted that, compared to previous invitations to bid, it had attracted a significantly higher number of vendors from a wide geographical area. The Advisory Committee expected the process of solicitation and contract award under the request for proposal methodology to be competitive, fair, transparent and timely. With regard to the Regional Procurement Office in Entebbe, the Advisory Committee welcomed the benefits realized thus far by the pilot project in terms of administrative cost savings, economies of scale, staff training and increased outreach to vendors in the region. However, it was concerned about the low utilization rate of the regional systems contracts administered by the Office.

10. The Advisory Committee took note of the Secretary-General's preliminary proposal to introduce environmentally friendly and sustainable procurement, but cautioned that the concept had not been considered for approval by the General Assembly. More needed to be done to refine the understanding of the concept and how it could be applied in practical terms.

11. The Advisory Committee noted that although the Board of Auditors had often cited cases of non-compliance with established rules and guidelines in procurement practice, resulting in the inefficient use and wastage of resources, there had been no indication of individual accountability being assigned in those cases. Lastly, proposals that might require consideration and approval by the General Assembly should have been presented more clearly and more prominently in the Secretary-General's report in order to facilitate their consideration by the General Assembly.

12. **Mr. Terzi** (Joint Inspection Unit), introducing the report of the Joint Inspection Unit (JIU) on the review of long-term agreements in procurement in the United Nations system (A/69/73), said that procurement represented a major expenditure category, and constituted an important tool in the achievement of the operational objectives of United Nations organizations and delivery of mandates.

13. The procurement volume of United Nations organizations had increased dramatically in recent years, from $6.5 billion in 2004 to $15.4 billion in 2012, an increase of around 137 per cent. Procurement expenditure accounted for some 35 to 40 per cent of the total expenditure of United Nations organizations. Given that procurement activities involved high financial and operational risks, JIU included the procurement function and activities in its close-watch list and, over the previous 10 years, had produced five procurement-related reports and notes for the United Nations system. Two of those outputs had focused on general procurement policy and practices, and reform issues, while the rest had addressed specific aspects of the procurement function, such as long-term agreements and contract management.

14. JIU reviews on procurement had identified many areas for improvement, indicated best practices and produced a number of recommendations. A key issue had been the lack in organizations of a procurement strategy and planning. While many organizations had started to establish procurement strategies for major items, comprehensive procurement portfolio assessment and design of corporate strategy were missing or inadequate.

15. The recommendations made by JIU included the use of proper risk assessment and management for procurement and contract management processes; the establishment of a formal vendor sanction policy and a formal mechanism for reviewing vendor complaints; the strengthening of conflict of interest and ethics policies and practices; the use of environmentally and socially responsible procurement policies; and effective procurement monitoring and performance evaluations. For there to be proper analysis, monitoring and reporting, and enhanced internal control, organizations needed to improve information system capabilities and integrate procurement process and

monitoring modules into those systems. JIU was pleased that the Secretariat had implemented many of its recommendations, including electronic tendering, improved monitoring, reporting and analysis capabilities, effective training, fostering a culture of ethics and integrity, use of an independent procurement challenge programme, and increasing the opportunities for vendors from developing countries and economies in transition.

16. Long-term agreements were usually established for multiple years for goods and services that would be purchased repeatedly over the lifetime of the contract. Overall, the JIU review of those agreements had found that their use in the United Nations system was relevant, efficient and effective. The consolidation of piecemeal procurement requirements in a single procurement exercise enabled organizations to reduce transaction costs and utilize volume leverage to reduce prices. The use of long-term agreements also facilitated the application of quality and technical standards. However, the review had identified several deficiencies associated with the policies and practices of organizations that could negate the potential benefits of long-term agreements. Organizations in varying degrees lacked specific policies on long-term agreements and analytical procurement data. When that was combined with inadequate corporate procurement strategies and planning, lack of spend analysis and weak contract management and implementation monitoring, there was a risk of efficiency loss, or the loss of potential efficiency gains.

17. The long-term agreement modality could also be used in collaborative procurements among organizations. There were many similarities in the purchases of United Nations organizations, with organizations spending more than $400 million each year on vehicles alone. Combining purchases of the same procurement items in a single long-term agreement would enable organizations to negotiate larger price discounts and better contract terms and conditions. In Geneva and Rome, collaborative procurements among organizations for commonly used goods and services had resulted in considerable cost savings. However, existing collaboration in procurement activities was not close to using the full potential of the system. There was a need for further harmonization of procurement policy and practices, and changes in policies to promote collaboration and standardization of goods and services across the system. The report on long-term agreements contained five recommendations and numerous examples of best practices both in the United Nations system and in other institutions, in particular in the European Commission. Implementation of the recommendations and best practices would result in greater efficiency and effectiveness in procurement activities. The Committee was invited to endorse the recommendations so as to facilitate their implementation across the system.

18. **Mr. Herman** (United Nations System Chief Executives Board for Coordination), introducing the note by the Secretary-General transmitting his comments and those of the United Nations System Chief Executives Board for Coordination on the report of the Joint Inspection Unit (A/69/73/Add.1), said that United Nations system organizations welcomed the informative report and agreed with the assessment of the Joint Inspection Unit that moving procurement in the United Nations system to a more strategic footing, rather than a largely transactional one, would prove useful. Organizations noted that, for the most part, the use of long-term agreements across the system, with allowance for variations in specifications as a result of individual organizational environments, was already extremely efficient. Common specifications would permit greater volume leveraging and best value for money through demand aggregation across the United Nations system.

19. Agencies generally welcomed the JIU recommendations, although not without reservations with regard to several of them. Organizations fully agreed with recommendation 1, concerning the development of specific policies and guidelines for the strategic use of long-term agreements. In other cases, agencies agreed with the overall substance of the recommendation, but expressed some concern regarding implementation. For example, on recommendation 2, concerning contract management plans, agencies agreed with the importance of such plans but noted that implementing all the suggested mechanisms might not always result in substantial benefits, especially for smaller organizations. With regard to recommendation 4, organizations strongly agreed with the call to support the work of inter-agency mechanisms, such as the High-level Committee on Management Procurement Network and the Legal Network, but also expressed concern regarding the harmonization of general terms and conditions, and suggested that, in some cases, the

resources, time and effort required to achieve such harmonization might not deliver significant gains.

20. **Mr. Davidson** (South Africa), speaking on behalf of the Group of 77 and China, said that procurement activities were a key aspect of United Nations management, given the growing complexity and size of the operations undertaken by the Organization. The Group therefore supported measures to increase the efficiency, transparency and cost-effectiveness of the United Nations procurement system. It noted the change in the solicitation methodology for the acquisition of air assets and logistics services from invitation to bid to request for proposal, and would seek further information on the new evaluation process and its impact on the geographical representation of participating vendors.

21. The Group emphasized the importance of increasing procurement opportunities for vendors from developing countries. Equal, fair and non-discriminatory access must be given to companies from those countries. The Group noted the efforts presented in the Secretary-General's report and called for intensified efforts in that regard. In particular, it supported the use of business seminars to raise awareness of the opportunities and the procedural requirements for participation in procurement activities at the United Nations.

22. The Group noted the benefits realized since the establishment of the Regional Procurement Office in Entebbe and would seek further information on the Secretariat proposals concerning the future of that Office in the context of the upcoming consideration of a global service delivery model. Lastly, given that the General Assembly had not approved the concept of sustainable procurement, the Group was concerned at the intention of the Secretariat to initiate a pilot project on sustainable procurement. There was a lack of clarity regarding the concept and its possible impact on the diversification of the origin of vendors and on international competition, particularly for developing countries.

23. **Mr. Presutti** (Observer for the European Union), speaking also on behalf of the candidate countries Albania, Montenegro, Serbia, the former Yugoslav Republic of Macedonia and Turkey; the stabilization and association process country Bosnia and Herzegovina; and, in addition, Armenia, the Republic of Moldova and Ukraine, said that the European Union welcomed the information contained in the Secretary-General's comprehensive report on procurement activities, particularly the information on the key initiatives undertaken to advance a strategic approach to procurement and modernize the acquisition process in respect of critical requirements in the best interest of the Organization.

24. It noted with great interest the outreach efforts carried out by the Procurement Division, and welcomed its multifaceted approach. It commended the Secretariat on its efforts to reach out to the widest possible audience by making the United Nations Global Marketplace online portal available in several languages, and encouraged similar efforts in respect of the United Nations Procurement Manual. Informing both vendors and Member States of the business opportunities that the United Nations system provided and helping them to understand procurement guidelines and practices was crucial in enhancing the transparency of the system. It encouraged the Division to continue its work in those important areas.

25. His delegation welcomed the progress made in using Umoja to enable more strategic management of United Nations procurement, in modernizing air charter procurement and in securing greater efficiency and economy through improved mission-critical contracts. The procurement activities of the United Nations should reflect the post-2015 development agenda and should integrate requirements, specifications and criteria that were compatible with and supportive of the protection of the environment and human rights obligations, and were mindful of the commitment of Member States to combat forced and child labour.

26. **Ms. Sabar** (United States of America) said that her delegation commended the Secretary-General on his efforts to modernize the procurement function of the United Nations. With over $3.2 billion spent annually on the procurement of goods and services, the United Nations was a major buyer in the global economy, and her delegation welcomed the initiatives undertaken by the Procurement Division to align the Organization's processes with industry best practices, including the transition to a new solicitation methodology for long-term air charter requirements, consolidated procurement through the Regional Procurement Office in Entebbe, the streamlining of vendor databases and the initiation of an electronic tendering pilot. Those initiatives had created a level playing field and business opportunities for new

vendors, including vendors from developing countries and countries with economies in transition.

27. Transparency in procurement was of the utmost importance and her delegation encouraged the Secretary-General to continue strengthening internal controls through such practices as the independent procurement challenge system. Lastly, more could be done to achieve economies of scale in the supply chain process. Her delegation expected Umoja to eliminate duplication in the procurement process and encouraged the Secretary-General to realize benefits as soon as possible.

28. **Mr. Podlesnykh** (Russian Federation) said that his delegation was extremely concerned that the question of the United Nations procurement system was being taken up by the Committee when delegations had had insufficient time to peruse the Advisory Committee's report. That report had not been issued in all six official languages until the weekend, at which time it had been impossible for delegations to consult with their respective capitals. Yet delegations were expected to present their positions on the matter at a meeting on Monday morning. His delegation and others had repeatedly expressed concerns to the Secretariat and the Advisory Committee about the late issuance of documents to be considered by the Committee. In the current instance, however, there was no good reason for delegations to have been given inadequate time to examine the documents. The responsibility lay with the Bureau for failing to postpone the meeting to a later date. The Bureau often referred to the late issuance of documents as the reason for the hasty introduction of reports before the Committee and the short time available for delegations to study them. That justification was not valid in the case at hand, as most of the items to be taken up by the Committee at the current part of the session had already been introduced. The current meeting could have been delayed by a few days to give Member States time to study the report of the Advisory Committee. Such a delay would have had no negative impact on the Committee's work, whereas the hasty introduction of documents did have a negative impact, as it prevented Member States from participating in the discussion. His delegation had been unable to make a statement on the substantive issues relating to procurement because of the late issuance of the Advisory Committee's report.

29. Later that week, the Committee was scheduled to take up the strategic capital review and flexible workspace arrangements. However, the Advisory Committee had yet to issue its reports on those issues. Member States needed at least one full working day to study documents in order to prepare for the Committee's deliberations.

The meeting rose at 10.45 a.m.

United Nations A/C.5/69/SR.32

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Fifth Committee

Summary record of the 32nd meeting
Held at Headquarters, New York, on Friday, 13 March 2015, at 10 a.m.

Chair: Mr. Ružička ..... (Slovakia)
Chair of the Advisory Committee on Administrative and Budgetary Questions: Mr. Ruiz Massieu

Contents

Organization of work

Election of officers

Agenda item 132: Programme budget for the biennium 2014-2015 (*continued*)

Strategic capital review

Flexible workplace arrangements

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The meeting was called to order at 10.10 a.m.

Organization of work

Election of officers

1. **The Chair** informed the Committee that Ms. Rambukwella (Sri Lanka) had indicated her intention to resign from the office of Vice-Chair of the Committee with effect from 13 March 2015. In accordance with rules 103 and 105 of the rules of procedure, the Committee was invited to elect a new Vice-Chair from the Group of Asia-Pacific States. Those States had endorsed the nomination of Mr. Wickramarachchige (Sri Lanka) to fill the unexpired portion of Ms. Rambukwella's term.

2. *Mr. Wickramarachchige (Sri Lanka) was elected Vice-Chair of the Committee by acclamation for the period from 13 March 2015 to the end of the sixty-ninth session of the General Assembly.*

Agenda item 132: Programme budget for the biennium 2014-2015 (*continued*)

Strategic capital review (A/69/760 and A/69/811)

Flexible workplace arrangements (A/69/749 and A/69/810)

3. **Mr. Cutts** (Assistant Secretary-General for Central Support Services), introducing the report of the Secretary-General on the strategic capital review (A/69/760), said that the places where work was carried out and meetings were hosted were essential for the functioning of the Organization and must be kept safe and efficient, and continuously modernized, adapted and remodelled to respond to ever-changing needs. However, many United Nations buildings were showing their age and were in need of significant repair.

4. The report presented a 20-year capital maintenance programme for the period from 2018 to 2037 covering owned and leased buildings at eight main locations: Addis Ababa, Bangkok, Beirut, Geneva, Nairobi, New York, Santiago and Vienna, as well as at 20 subregional commission locations. Those buildings had a total gross replacement value of $3.644 billion, which represented a huge investment by Member States, one that needed to be safeguarded. In accordance with the direction given by the General Assembly, the review did not address field missions or duty stations, which were not managed by the Office of Central Support Services. The maintenance programme, the need for which had been recognized by the Assembly in its resolution 68/247 B, would be updated on an ongoing basis.

5. The review was designed to project capital maintenance requirements more accurately well in advance, in order to provide the Assembly with a tool when considering those requirements. The aim was to reduce overall capital requirements by employing a life-cycle approach to managing real estate. The approach entailed the systematic conduct of existing conditions surveys, and the planning and gradual implementation of capital improvements over time, in contrast to the current reactive approach, whereby the Organization waited for its assets to fail before it took remedial action. The proposed approach would enable the Organization to avoid what would otherwise be larger, higher-cost, projects.

6. A number of major maintenance projects had been identified on the basis of the organizational objectives set forth in the review: life safety, accessibility for persons with disabilities, maintaining property value, maximizing space usage efficiency, modernizing building systems, improving energy efficiency, preserving heritage assets and minimizing work disruption. The report presented identified renovation, replacement and upgrade projects for the first ten years in terms of estimated costs and schedule, but did not include any proposals in respect of the projects; proposals would be presented in due course in accordance with the established procedures for budgetary proposals and the Financial Regulations and Rules of the United Nations.

7. In total, ongoing requirements for the projects averaged some $110 million per biennium in 2015 dollar terms, more than the budget levels approved for major maintenance in recent bienniums. The reactive approach to building maintenance had resulted in the need for large-scale capital projects, such as the capital master plan and the strategic heritage plan, representing major budgetary undertakings separate from approved programme budget levels. Such large-scale renovation projects were disruptive and more costly owing to their complexity, and required costly swing space and significantly more resources to manage. The life-cycle approach to building maintenance would be less costly overall and less disruptive to business.

8. It was recommended that the General Assembly should take note of the report and request the Secretary-General to report on the long-term capital maintenance programme for 2018-2037 at the first part of the resumed seventieth session and provide detailed information for the preliminary planned projects and related cost estimates.

9. Introducing the report of the Secretary-General on the comprehensive business case for the application of flexible workplace strategies at the United Nations (A/69/749), he said that the flexible workplace strategies initiative was an important complement to other reform initiatives such as Umoja, and was designed to equip the staff of the Organization with the tools of the modern workplace to enable them to perform their tasks more effectively and efficiently. Substantial progress had been made since the previous report of the Secretary-General on the implementation of the strategy at Headquarters (A/68/387). A team of expert consultants had started work in July 2014 to assist in developing the business case. A comprehensive study of space utilization had found that only 38 to 48 per cent of assigned work spaces were being used at any one time during the working day, depending on the time of day. A comprehensive survey of staff satisfaction with current space arrangements and attitudes towards flexible working, workspace and concepts had found that, overall, staff were ready for changes in the physical workplace but that there were different levels of understanding of flexible workplace strategies.

10. The previous report had been based on a prudent planning assumption of a 20 per cent reduction in office space needs as a result of implementing flexible workplace strategies. Extensive engagement with a representative cross section of senior managers and staff had allowed refinement of the planning approach to flexible workplace. The present report presented five different planning profiles, each of which involved a different mix of space types specifically tailored to the work of different departments. Even though the planning profiles were being used to assess the impact of implementation, every implementation of flexible workplace needed to follow a detailed and in-depth analysis of work needs and style, and should be developed through direct consultations with the departments and work groups involved. Flexible workplace solutions must be tailor-made for the specific needs of those involved, and direct engagement and consultation were necessary for their success.

11. The flexible workplace pilot on the 18th and 19th floors of the Secretariat Building had drawn positive feedback from participating staff, as well as constructive criticism concerning areas for improvement. The positive feedback clearly demonstrated that the strategy could succeed and deliver tangible benefits in terms of staff morale and satisfaction with the physical workplace. Achieving those benefits rather than focusing on space savings should remain the primary objective of the flexible workplace strategy.

12. Managers from various Secretariat departments and visiting officials from other duty stations had expressed considerable interest in implementing flexible workplace strategies and had asked for materials to assist in discussing possibilities with their respective staff. The initiative was gathering momentum within the Organization and the time was right to broaden implementation in New York. The report therefore proposed the implementation of flexible workplace strategies across 26 floors of the Secretariat Building and eight floors of the FF Building between April 2015 and February 2018. That would make sufficient office space available to enable the Secretariat to vacate a number of leased buildings when their leases expired.

13. In the interest of ensuring coordination with other reform initiatives, staff from Geneva had participated in the planning and execution of the pilot to assist them in incorporating the flexible workplace concept as an option in the planning of the strategic heritage plan. With regard to the long-term accommodation options under consideration for New York, the revised planning approach for flexible workplace had been incorporated in projected overall population requirements.

14. Subject to the approval of the General Assembly, the next steps for the Secretariat would be to extend internal communication to broaden understanding of the initiative among staff and management in New York; conduct in-depth internal consultations with departments and work groups directly affected to ascertain their specific needs; develop programmatic plans, floor layouts and designs, and begin procurement in respect of construction and reconfiguration activities foreseen in 2015; and

develop refined project plans and cost estimates for the project phases foreseen for 2016 to early 2018.

15. At the current stage, the Secretary-General was requesting approval of the proposed scope of the flexible workplace project at Headquarters, and authority to enter into commitments up to the amount of $5.8 million during 2015 and to use the Working Capital Fund and the Special Account on a cash-flow basis. In his next progress report, to be submitted at the main part of the seventieth session, the Secretary-General would present a funding proposal for the overall project, estimated at $49.6 million. The proposal would take into account future savings in rental costs. The costs of the project at Headquarters were expected to be recouped by 2020.

16. **Mr. Ruiz Massieu** (Chair of the Advisory Committee on Administrative and Budgetary Questions), introducing the report of the Advisory Committee on the strategic capital review (A/69/811), said that the Advisory Committee noted that the Organization had for the first time developed an extensive long-term capital maintenance programme that would serve as a viable planning tool and facilitate decision-making by the General Assembly.

17. The Advisory Committee requested clarification of the actions requested of the Assembly in paragraphs 69 (a) and (b) of the report of the Secretary-General (A/69/760). It had been informed that the Secretary-General was not seeking approval for specific projects or for major maintenance and alterations and improvements identified pursuant to the initial strategic capital review. Rather, he was seeking general concurrence with the principles set forth in paragraph 36 of the report of the Advisory Committee (A/69/811). The Advisory Committee supported the general principles proposed by the Secretary-General in the context of the strategic capital review.

18. The Advisory Committee was, nonetheless, of the view that the proposal for future incremental recapitalization based on a life-cycle replacement methodology should be refined and that the costs and benefits of a preventive maintenance programme should be further detailed in the next report on the strategic capital review. Lastly, concerning the linkages with other initiatives already launched by the Organization or to be considered by the Assembly, it was important to regularly update the strategic capital review to reflect decisions by the Assembly and the changing needs of the Organization.

19. Introducing the Advisory Committee's report on flexible workplace strategies (A/69/810), he said that the Secretary-General had made a sound business case for a flexible workplace at Headquarters, taking into account the cost-benefit analysis as well as the qualitative and quantitative benefits, including the anticipated savings arising from the termination of the leases on the Daily News, Albano and Court Square Buildings. The Advisory Committee recommended implementation of a flexible workplace at Headquarters.

20. The Advisory Committee also recommended approval of the resources requested for the biennium 2014-2015, although the Secretary-General should explore alternatives to the personal information technology package and review the related costs for 2015. In that regard, the Advisory Committee recommended that the General Assembly should authorize the Secretary-General to enter into commitments up to the amount of $5,819,000 and, on an exceptional basis, to use the Working Capital Fund and the Special Account to fund a flexible workplace in the same amount on a cash-flow basis.

21. In addition, the Advisory Committee recommended that flexible workplace strategies should be incorporated in the strategic heritage plan, and that the Secretary-General should assess the potential for application of flexible workplace strategies at all duty stations. Lastly, the Advisory Committee welcomed the Secretary-General's intention to continue to engage with staff representatives and noted that the implementation of a flexible workplace should take into account staff considerations and staff workplace environment needs.

22. **Mr. Davidson** (South Africa), speaking on behalf of the Group of 77 and China, said that the Group attached great importance to the strategic capital review as a means of ensuring safety and security and improving working conditions across all duty stations. The Group noted the progress made in establishing a framework and work methodology for the capital maintenance programme review for offices away from Headquarters and regional commissions, as well as the development of key objectives for the methodology for assessing projects. Those developments formed the basis for establishing guidelines and benchmarks to ensure a consistent approach to collecting and

reviewing information on buildings and infrastructure and policies relating to facilities management.

23. The Group noted the phase 2 activities related to collection of data from offices away from Headquarters and regional commissions where offices were owned by the United Nations, in particular activities related to the condition, operational and life-cycle replacement assessments carried out in accordance with the guidelines. It also noted the initiation in November 2014 of work related to phase 3, in particular on data analysis and the development of the 20-year capital maintenance programme, based on the methodology established in phase 1. It welcomed the efforts to develop an extensive long-term capital maintenance programme as a planning tool and aid to decision-making by Member States.

24. With regard to project governance and lessons learned, the Organization needed to develop its existing in-house capacity and, wherever possible, avoid the use of consultancy in the management of properties. While the Group shared the views of the Board of Auditors on capital budgeting and the use of contingency funds during project implementation, those issues should be considered separately in each individual capital project, taking into account best practices in the specific circumstances and the magnitude of the project. The Group did not support a one-size-fits-all approach.

25. Each major capital project should be budgeted and assessed separately from the regular budget so as to ensure transparency and accountability. However, work to address health and safety risks and minor improvements needed to be undertaken immediately, without sequencing. A clear definition was needed of what constituted a major capital project in order to prevent unnecessary delays in capital improvements. The Group would seek clarification of the linkages between the strategic capital review and ongoing capital projects, and organizational initiatives including Umoja, the International Public Sector Accounting Standards (IPSAS), flexible workplace strategies, and the global service delivery model.

26. Concerning flexible workplace strategies, the Group recognized the importance of transformational initiatives that contributed to a modern, adaptable and effective United Nations. However, careful and thorough consideration was needed before embarking on such new endeavours. With regard to the detailed cost-benefit analysis and the proposed implementation plan contained in the report of the Secretary-General, the Group acknowledged the stated benefits of enhancing staff satisfaction and cooperation while reducing space use and real estate needs. On the other hand, it was difficult to measure the impact on overall productivity across the different functions performed in the Organization.

27. Given that a flexible workplace would have a significant impact on the working environment of the Organization, the Group would seek clarification of the human resources management approach to its implementation. Considerations related to human resources policies and the specific requirements of different departments were critical in determining whether such proposals could be successfully implemented. Lastly, the Group would seek further information on the steps to be taken by the Organization before it could implement a flexible workplace strategy, in particular relating to information technology, robust internal communications, and training programmes.

28. **Mr. Dosseh** (Togo), speaking on behalf of the Group of African States on the strategic capital review, said that the Group welcomed the progress made in designing a mechanism to ensure effective management of Secretariat buildings in the form of a 20-year capital maintenance programme. The maintenance of the buildings at all United Nations duty stations was an important issue for the Group, in particular the buildings at the Economic Commission for Africa and the United Nations Office at Nairobi, as well as the various subregional offices. The Group noted with great concern that some buildings at those duty stations had greatly deteriorated, threatening the life and health of delegates, visitors and staff and entailing substantial refurbishment costs. It hoped that the ongoing review process would provide an effective mechanism for the maintenance of buildings at all duty stations, especially those in Africa.

29. It was the responsibility of the Secretary-General to ensure and guarantee the safety of staff at the various duty stations. The modernization and maintenance of property owned or managed by the system, including renovation of buildings, offices and site infrastructure, were imperative. There must also be compliance with industry norms and building codes relating to health and safety and access requirements for persons with disabilities.

30. The near-term projections for capital expenditure focused on the Economic Commission for Africa and the United Nations Office at Nairobi. The Secretary-General should ensure that effective measures were in place to implement the proposals under the strategic capital review and that lessons learned and best practices from capital projects were applied. The Group expected the next progress report to provide more details on fast-tracking the entire process.

31. **Mr. Khalizov** (Russian Federation) said that it was important for implementation of the capital maintenance programme for the period 2018-2037 to be based on periodic reviews of the state of capital assets, timely planning of building maintenance work, regular updating of data on the needs of the Organization for capital investments, and the overall reduction of the expenditure required to maintain assets over their useful life cycle. The Secretary-General should revise his proposals in order to provide specific parameters for the programme and to determine its cost. His delegation was particularly concerned that the proposed expenditures for implementation of the programme significantly exceeded the capital investments made by Member States over the six previous bienniums, not to mention the current reserves under the programme budget for the biennium 2014-2015. A thorough reworking of the financial aspects was needed.

32. His delegation endorsed the Advisory Committee's recommendation that the costs and benefits of the transition to a preventive maintenance programme for capital assets should be clearly defined. Otherwise it would be premature to approve such a programme. The Secretary-General should also present reliable, consistent and realistic methodologies for addressing the Organization's capital investment needs as well as information on industry standards.

33. With regard to flexible workplace strategies, his delegation noted the preliminary assessment of potential savings from the reduction in leased space. Efforts to achieve savings should be a cornerstone of the project. In that regard, the Secretariat should provide more detailed justification of expenditure incurred in implementation of the new strategies, particularly for the provision of smartphones and laptops to all United Nations staff, and the replacement of furnishings that had recently been purchased as part of the capital maintenance of the Headquarters buildings. The strategies should also take into account factors that would improve overall productivity, and the interests and well-being of staff. Moreover, the next report of the Secretary-General should present a more detailed assessment of prospects for incorporation of flexible workplace strategies in the strategic heritage plan of the United Nations Office at Geneva and their possible use at other duty stations.

The meeting rose at 11 a.m.